

Message Text

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PAGE 01 MOSCOW 02778 021541Z

42

ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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R 021002Z MAR 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 7700

INFO USDOC WASHDC

AMEMBASSY CONAKRY

AMEMBASSY PARIS

C O N F I D E N T I A L MOSCOW 2778

USDOC FOR BEWT/ USSR AND TDAD

E.O. 11652 GDS

TAGS: ETRD EMIN UR

SUBJ: PROPOSED KAISER ALUMINUM PROJECT IN USSR

REF: A) MOSCOW 2135; B) MOSCOW 2232; C) MOSCOW 2229

1. SUMMARY: KAISER EXECUTIVES HAVE RECEIVED DISCOURAGING SIGNALS FROM MINISTRY OF FOREIGN TRADE OFFICIALS REGARDING THEIR PROPOSAL TO PARTICIPATE IN MAJOR SOVIET ALUMINUM PROJECT. ALTHOUGH OTHER INDICATIONS MORE POSITIVE, COMPANY EXPECTS TO ADOPT WAIT-AND-SEE ATTITUDE TOWARD PROJECT.
END SUMMARY

2. E. ALLEN HOLBROOK, PRESIDENT OF KAISER TRADING, AND BRUCE N. WILSON, MANAGING DIRECTOR, KAISER (UK), BRIEFED AMBASSADOR FEB 28 ON DISCUSSIONS REGARDING KAISER'S PROPOSAL TO PARTICIPATE IN MAJOR SOVIET ALUMINUM PROJECT. SINCE COMPANY HAD HEARD NOTHING FROM SOVIETS SINCE TECHNICAL PHASE OF NEGOTIATIONS COMPLETED LAST FALL, OFFICIALS DECIDED TO USE EXCUSE OF OTHER BUSINESS IN MOSCOW TO EXPLORE CURRENT STATUS.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 02778 021541Z

3. EN ROUTE TO USSR HOLBROOK AND WILSON MET IN WASHINGTON FEB 21 WITH V.N. SUSHKOV, DEPUTY MINISTER OF FOREIGN TRADE, WHO PROVIDED DISCOURAGING PICTURE OF KAISER'S PROSPECTS. ACCORDING TO SUSHKOV, SOVIETS HAD DECIDED LAST FALL TO MOVE AHEAD FIRST WITH SECOND ALUMINUM PROJECT, WHERE FRANCE'S PECHINEY HAS INSIDE TRACK, AS BONE NEEDED FOR FRENCH AT GISCARD-BREZHNEV SUMMIT. THERE WOULD THEN BE A FIVE-SIX YEAR DELAY, HE SAID, IN BEGINNING "KAISER PROJECT" WITH ITS ALUMINA PLANT NEAR WHITE SEA AND SMELTER NEAR BRATSK KRASNOYARSK. SUHKOV SUGGESTED THAT KAISER BID ON "PECHINEY PROJECT," WHICH WOULD USE GUINEAN BAUXITE, BUT HOLBROOK SAW NO CHANCE OF BEATING OUT PECHINEY FOR CONTRACT. ALTHOUGH NO REASON GIVEN, SUSHKOV INQUIRED IF COMPANY WOULD BE WILLING TO SIGN CONTRACT IN CANADA IF AGREEMENT REACHED.

4. IN MOSCOW METALLURGIMPORT CHAIRMAN N.P. MAKSIMOV ECHOED SUSHKOV, ADDING THAT COMMERCIAL NEGOTIATIONS WITH PECHINEY WOULD START IN MARCH WITH COMPLETION SCHEDULED THIS SUMMER. RAZNOIMPORT CHAIRMAN I.A. RUSSOV, WHOSE FTO WOULD BE RESPONSIBLE FOR COMPENSATORY SALES OF ALUMINUM UNDER AGREEMENT, AGAIN REJECTED DISCOUNTPRICING KAISER HAD PROPOSED AND SUGGESTED FIRM TAKE ITS PROFIT FROM COMMISSIONS PAID BY EQUIPMENT MANUFACTURERS. ALL MFT CONTACTS POINTEDLY MENTIONED LACK OF MFN AND EX-IM CREDITS.

5. MORE POSITIVE INDICATIONS RECEIVED FROM V.N. KOSTIN, DEPUTY MINISTER OF NON-FERROUS METALLURGY, AND S.N. GLEBOV, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, WHOSE COMMENTS PARALLELED THOSE GIVEN USCO AND DEPT OF COMMERCE OFFICERS TWO WEEKS AGO (REFS A AND B). ALTHOUGH COMPANY HAD ALREADY GIVEN COMMERCIAL PROPOSAL TO MFT LAST YEAR, HOLBROOK PROMISED TO SEND COPY TO KOSTIN AT LATTER'S REQUEST.

6. DESPITE FAVORABLE ATTITUDES OF END-7USER MINISTRY AND SCST, HOLBROOK AND WILSON ARE NOT OPTIMISTIC ABOUT KAISER'S PROSPECTS. THEY PLAN TO RESUBMIT THEIR COMMERCIAL PROPOSAL TO MFT AND KOSTIN AND THEN WAIT AND SEE. AS HOLBROOK EXPLAINED, COMPANY UNWILLING TO CONTINUE SPENDING MONEY ON PROJECT PROPOSALS WITHOUT FIRM EXPRESSION OF NEAR-TERM SOVIET INTEREST.

CONFIDENTIAL

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PAGE 03 MOSCOW 02778 021541Z

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Message Attributes

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